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C O N F I D E N T I A L SECTION 01 OF 02 BEIJING 024029

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GENEVA PLEASE PASS USTR  
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E.O. 12958: DECL: 11/24/2031  
TAGS: [PREL](#) [ECON](#) [ETRD](#) [EFIN](#) [KPAO](#) [CH](#)  
SUBJECT: XINHUA TO PRESS AHEAD WITH RULES RESTRICTING  
FINANCIAL INFORMATION

REF: A. BEIJING 20678

[1](#)B. BEIJING 19547  
[1](#)C. BEIJING 19133

Classified By: Classified by Political Internal Unit Chief Susan A.  
Thornton. Reasons 1.4 (b/d).

Summary  
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[1](#)1. (C) The Xinhua News Agency plans to move ahead with State Council-mandated regulations restricting foreign wire services' distribution of news and financial data in China, Xinhua Foreign Affairs Office Deputy Director General Zhou Zongmin told Emboffs November 22. The Foreign Information Administration Center (FIAC), which is part of Xinhua, is in charge of enforcing the rules. Zhou declined to discuss implementation specifics or possible penalties, saying that FIAC is in ongoing talks with foreign agencies about details. He said the goal is to ensure that information is distributed in accordance with Chinese law and to keep out unsanctioned news, particularly about subjects such as Taiwan independence and Falun Gong. Dismissing concerns that the directive may be in violation of China's WTO commitments, Zhou said the roles of FIAC on the business side and Xinhua as a financial data provider will be strictly separate. Emboffs told Zhou that the rules constitute backsliding in both freedom of expression and China's pledges under the WTO. In our view, the rules are an effort by Xinhua to use controls to squeeze foreign competition in China's profitable financial news market. End Summary.

Xinhua: Rules Must Be Implemented  
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[1](#)2. (C) Zhou requested the meeting with the Embassy as a follow up the September 27 meeting with a lower level official (ref A) to discuss new financial information rules in more detail. The regulations are a mandate of the State Council and Xinhua has no choice but to obey them, Zhou said. (Note: Contrary to past practice, Xinhua itself, rather than the State Council, announced the regulations. End Note.) FIAC,

which operates under Xinhua's umbrella, will be in charge of implementation. Zhou asserted that according to China's Administrative Licensing Law, if the news service fails to carry out the State Council order, it could be subject to legal action and possible penalties. To date, FIAC has not attempted to enforce the restrictions because it is in continuing negotiations on the subject with Bloomberg, Dow Jones, Reuters and other foreign financial information providers. The providers' clients are mainly banks and brokerage houses. Zhou declined to discuss enforcement specifics or possible penalties.

¶3. (C) The regulations do not amount to an official effort to increase control over the media, Zhou maintained. No new restrictions apply to foreign outlets for news gathering and there will be no effect on media operations during the Beijing Olympics in 2008, he stressed. Recalling the statement Premier Wen Jiabao made in London in September just after Xinhua issued the new rules, Zhou insisted that "there is no change in China's openness to the outside world."

#### Keeping Out "Unsanctioned" News

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¶4. (C) Zhou said the goal of the regulations is not to obstruct the flow of financial information, which would "not be beneficial to China's own interests." Instead, the aim is to ensure that financial information and news are distributed in accordance with Chinese law. He claimed that unsanctioned news items with no relation to financial issues have

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slipped through the overseas wire services' distribution systems over the past year. Under the guise of providing economic data, several agencies disseminated articles advocating Taiwan independence and supporting the Falun Gong, Zhou charged. Acknowledging that economic news does not happen in a vacuum, Zhou nonetheless stated that such information has little connection with stock markets or the financial world. That the rules will enable Xinhua to more efficiently protect the foreign wire services' intellectual property rights is an additional upside, Zhou contended.

¶5. (C) Zhou said that in his view, foreign complaints about the rules can be boiled down to three charges: 1) that Xinhua is functioning as "player and referee," adopting a dual role as regulator and competitor in the financial news market; 2) that the new regulations violate China's WTO commitments; and 3) that the rules provide an unfair advantage to Xinhua over foreign providers. Zhou brushed aside these concerns, saying that Xinhua is taking pains to separate the roles of FIAC, which is in charge of regulation and business operations, and Xinhua, a content provider. He further noted that, while the reaction of the United States and EU Governments has been negative, the financial information providers themselves have been comparatively quiet on the topic.

#### A Step Back on Media Freedom, WTO

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¶6. (C) Embossos urged Xinhua to rescind the rules, emphasizing that in the view of the United States Government, the American Chamber of Commerce and the wire services, the new regulations constitute backsliding in terms of both freedom of expression and China's WTO commitments. Enacting the restrictions will harm China's own efforts to become a modern, information-based economy. In addition, the argument

that Xinhua is safeguarding the foreign providers' intellectual property rights rings hollow. The firms themselves have told us they harbor no such concerns, Emboffs said.

Comment

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[17](#). (C) Zhou's efforts to assure us that the news and business sides of Xinhua's operations will be strictly separated do not change our view that the regulations constitute an effort to use controls to squeeze foreign competition in the profitable financial news market in China. How FIAC intends to enforce the rules, however, remains a question mark.  
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